

Faraday Uranium Mines Limited 1962 Annual Report

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Directors

Ashton W. Johnston

William McKee

Archibald B. Whitelaw

George L. Jennison

John K. McCausland

W. Clarke Campbell

Leslie E. Wetmore

Annual Meeting

11 a.m., June 5, 1963

Royal York Hotel, Toronto, Ontario

Officers

Ashton W. Johnston

President

William McKee

Secretary-Treasurer

William M. O'Shaughnessy

Assistant Secretary-Treasurer

D. R. Wilson

Mine Manager

H. B. Hicks

Consulting Engineer

Royal Trust Company • Toronto • Montreal • Vancouver

Registrar and Transfer Agent

Bank of Montreal Trust Company • New York

Co-Transfer Agents

Hilborn, Vigeon & Company • Toronto

Auditors

Suite 1600, 100 Adelaide Street West, Toronto, Ontario

Head Office

Bancroft, Ontario

Mine

Financial Highlights

	1962	1961	1960	1959	1958	1957*
Revenue	\$7,633,587	\$8,303,232	\$8,904,296	\$9,486,391	\$8,800,880	\$4,323,234
Net Profit	2,098,941	2,409,750	1,929,464	1,383,280	712,903	58,133
Net Per Share	48¢	55¢	44¢	31¢	16¢	01¢
Working Capital	1,789,631	2,788,221	1,001,603	1,610,002	352,273	Minus 4,260
Funded Debt	Nil	Nil	Nil	3,999,500	6,367,000	8,500,000

*Eight months only

Review of 1962

Net profit was equivalent to 48 cents per share, down from 55 cents. Continuation of production was assured into 1964. Further diversification investments were made. Dividends paid totalled 20 cents per share.



Ashton W. Johnston, *President*

Directors' Report to the Shareholders

Your Directors are pleased to submit herewith the Annual Report for the year 1962, including the balance sheet as at December 31, 1962, statements of profit and loss and earned surplus for the year ended on that date, together with the auditors' report thereon. A report by the Mine Manager, Mr. D. R. Wilson, covering operations at the mine, is also included.

The most significant event of the year was the granting to Faraday, by Eldorado Mining and Refining Limited, of an additional contract covering the delivery of approximately one million pounds of uranium oxide. This order resulted from the conclusion by the Canadian Government of a master contract for the supply of uranium to the United Kingdom. It has had the effect of extending Faraday's active mining life for an additional 17 months, or to March, 1964. Further details of this contract are discussed below.

Financially, 1962 has been a most satisfactory year. Profit after provision for Ontario Mining Tax, but before depreciation, write-off of preproduction expenses and taxes on income, amounted to \$4,623,914 or about \$1.05 per share as compared to \$1.07 per share in 1961 and \$1.02 per share in 1960. After deducting depreciation, write-offs and taxes on income, net profit for the year was \$2,098,941 equal to 48 cents per share as compared to 55 cents per share last year. Dividends paid during the year totalled 20 cents per share.

The slightly lower revenue is accounted for by the lower price per pound of uranium oxide received during the final months of the year under the terms of the new contract. This was largely offset by a decrease in operating expenses.

Net profit, before taxes on income, was greater than that of 1961 because of the increase in investment income and the lower charges for depreciation and write-off of preproduction expenses. Buildings, plant and equipment had been depreciated and preproduction

expenses written off during the period of the old contract and therefore, the charges were considerably less in 1962.

The net profit, however, shows a decrease due to the fact that the company became liable for the first time for payment of income taxes. These taxes amounted to approximately \$730,000.

In July, 1962, the long pending negotiations between the Governments of Canada and the United Kingdom were completed and resulted in a contract to Canadian uranium producers for a total of 24,000,000 pounds of uranium oxide. Of this, Faraday was awarded 1,083,191 pounds at a base price of \$5.545 per pound. Escalation clauses in the contract will improve the price to an average of about \$5.70 per pound.

This price is only slightly more than 50% of that formerly received under the original contract with Eldorado Mining and Refining Limited, and hence profits will be curtailed.

Summing up, it can be seen that Faraday is assured of continuing production until early 1964. We expect in 1964 low demand for uranium, with the market building up to a high level before 1970. The rapid advance in nuclear technology may well serve to shorten the period of over-supply. It has also been suggested that the Canadian Government should take adequate steps to maintain the industry in a healthy condition so that it will be prepared to meet the rising demand for uranium expected before 1970.

Some two years ago, in anticipation of the gap in uranium demand, Faraday commenced a program of diversification designed to assure continuity of its corporate existence over this period.

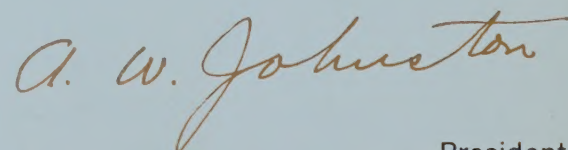
The three most important of these outside interests are, Nickel Mining & Smelting Corporation, Canadian Silica Corporation Limited and Trigon Associates Limited.

Since the end of the year, the company has also taken a substantial interest in Western Mines Limited, a gold-silver-copper-lead-zinc property on Vancouver Island, British Columbia, which is planning early production.

Faraday is also engaging in real estate investments through a wholly-owned subsidiary, Bancroft Holdings Limited, and is participating in a number of prospecting syndicates.

The Board wishes to express its appreciation to the members of the mine staff for their loyal and industrious service throughout the year and particularly to congratulate all of the mine employees on the excellent safety record established in 1962. In this respect, Faraday ranked second among all Ontario mines.

On Behalf of the Board



President

April 29, 1963

As a member of the Canadian Nuclear Association, and the Canadian Uranium Research Foundation, backing fundamental and applied research into new and expanding uses for uranium, Faraday participated in the Canadian Nuclear Exhibition in Ottawa in 1962.



Balance Sheet December 31, 1962

Assets

Current Assets	Cash and short term deposits		\$1,143,972	
	Short term notes, at cost		1,299,921	
	Accrued interest receivable		86,196	
	Refinery settlements receivable		395,455	
	Deposits and other accounts receivable		90,254	
	Inventory of concentrates, at cost		231,324	
	Inventory of supplies, at average cost		225,441	\$ 3,472,563
	Prepaid insurance			26,047
Investments, at cost	Nickel Mining & Smelting Corporation			
	Bonds (<i>note 1</i>)	\$3,014,583		
	Shares	600,000		
	Advances	800,000	\$4,414,583	
	Canadian Silica Corporation Limited			
	Mortgage and shares		1,340,994	
	Subsidiaries (<i>notes 2 and 3</i>)			
	Shares	\$ 50,006		
	Advances	520,204		
		\$ 570,210		
	Less: Allowance for losses	77,517	492,693	
	Shares in other companies for outside exploration (less amount written off)		46,229	6,294,499
Fixed Assets, at cost	Mining claims, rights, properties and leases		\$1,344,973	
	Buildings, plant and equipment	\$8,004,884		
	Less: Accumulated depreciation	7,993,050	11,834	1,356,807
				<u>\$11,149,916</u>

Auditors' Report to the Shareholders

We have examined the balance sheet of Faraday Uranium Mines Limited as at December 31, 1962, and the statements of profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that in our opinion the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of the company as at December 31, 1962, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 20, 1963

HILBORN, VIGEON & COMPANY
Chartered Accountants

Balance Sheet December 31, 1962

Liabilities

Current Liabilities

Accounts payable and accrued charges	\$ 177,341	
Dividend payable	440,591	
Ontario mining tax payable	335,000	
Income taxes payable	<u>730,000</u>	\$ 1,682,932

Capital and Surplus

Capital Stock		
<i>Authorized</i>		
5,000,000 shares of par value of \$1.00 each		
<i>Issued and Fully Paid</i>		
4,405,910 shares	\$4,405,910	
Less: Discount, net	<u>1,108,146</u>	
	\$3,297,764	

Earned Surplus	<u>6,169,220</u>	9,466,984
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Approved on behalf of the Board

A. W. JOHNSTON, Director

W. McKEE, Director

\$11,149,916

The accompanying notes are an integral part of this balance sheet.

Notes to Financial Statements December 31, 1962

- Note 1** The company has agreed that the payment of interest on the series "B" bonds of Nickel Mining & Smelting Corporation be deferred until April 1, 1965. Interest due on October 1, 1962, has been paid and the unpaid amount of accrued interest of \$46,500 has not been included in the financial statements. Investment income for the year includes \$130,432 interest on bonds of and advances to Nickel Mining & Smelting Corporation.
- Note 2** The accounts of the subsidiaries have not been consolidated since they are not material in relation to those of the company. The company's proportion of losses (net) of the subsidiaries incurred since acquisition have been provided for in the company's accounts.
- Note 3** The company has guaranteed bank credit for a subsidiary company up to a maximum of \$150,000. At December 31, 1962, the loan under this arrangement amounted to \$65,000.
- Note 4** Subsequent to December 31, 1962, the company has acquired shares in Western Mines Limited at a cost of \$323,334.
- Note 5** Income taxes payable for the year have been reduced by claiming depreciation and write-offs of approximately \$1,090,000 in excess of the amount shown in the financial statements for the year. This amount has been recorded in the company's accounts in prior years. At December 31, 1962, the accumulated depreciation charged in the company's accounts which is available for deduction for income tax purposes in future years is approximately \$3,119,000.

Statement of Profit and Loss Year Ended December 31, 1962

<i>Revenue</i>		
Sale of uranium concentrates	\$7,610,659	
Sundry income	<u>22,928</u>	\$7,633,587
<i>Operating expenses</i>		
Development	\$ 124,902	
Mining	1,236,898	
Milling	1,173,515	
Administrative (including directors' fees of \$14,200)	<u>191,833</u>	2,727,148
Operating profit before the undernoted items		<u>\$4,906,439</u>
Ontario mining tax	\$ 333,056	
Outside exploration	<u>180,195</u>	513,251
		<u>\$4,393,188</u>
Investment income (<i>note 1</i>)	\$ 308,243	
Less: Subsidiary losses (net) incurred since acquisition (<i>note 2</i>)	<u>77,517</u>	230,726
Profit before depreciation, write-offs and taxes on income		<u>\$4,623,914</u>
Depreciation of buildings, plant and equipment	\$1,205,400	
Amortization of preproduction and deferred development expenditures	<u>589,573</u>	1,794,973
Net profit before taxes on income		<u>\$2,828,941</u>
Taxes on income (<i>note 5</i>)		<u>730,000</u>
Net profit for year		<u><u>\$2,098,941</u></u>

Statement of Earned Surplus Year Ended December 31, 1962

Balance, December 31, 1961	\$4,951,461
Add: Net profit for year	<u>2,098,941</u>
	\$7,050,402
Deduct: Dividends declared	881,182
Balance, December 31, 1962	<u><u>\$6,169,220</u></u>

Mine Manager's Report

The President and Directors
Faraday Uranium Mines Limited
100 Adelaide Street West
Toronto, Ontario

General

Dear Sirs:

The following report of operations for the year 1962 is submitted for your consideration:
The operating schedule varied considerably due to major fluctuations in the market demand for uranium.

At the beginning of the year, the mining program was planned on the basis of closing the operation at the completion of our sales contracts in October, 1962. In July, the United Kingdom contracted to purchase 24,000,000 pounds of Canadian uranium. Faraday's share of this contract was 1,083,191 pounds of U_3O_8 to be delivered from October, 1962, to March, 1964, at a rate of 65,000 pounds per month. In July the mining program was adjusted to provide for this new contract.

During the first half of the year the working force was reduced from 247 to 197 employees. Development was stopped, and mining was reduced to a minimum. Broken reserves supplied 65% of the mill feed.

Beginning in July the working force was built up to 250, mining was increased, and a minimum development program resumed. By the year end the mine was back on a normal basis.

Production

Production was maintained at the normal shipping rate of 65,000 pounds of U_3O_8 per month.

Total production amounted to 774,344 pounds of U_3O_8 .

Mining

During the first six months, mining on the upper levels was limited to breaking and cleaning down shrinkage stopes. On the lower levels backs were taken down and two cut-and-fill stopes operated.

Broken reserves were reduced from 187,973 tons of .112% U_3O_8 to 74,039 tons of .138% U_3O_8 . Rate of breaking ore was gradually reduced to 5,000 tons per month.

During the remainder of the year, new mining was concentrated principally on the 750 and 900 levels, where seven cut-and-fill stopes were prepared for production. Break was increased to balance tonnage milled.

Total ore broken was 195,524 tons compared to 282,334 tons in 1961. Broken reserves at the year end were 70,572 tons grading .099% U_3O_8 .

Milling

The mill treated 306,339 tons for an average of 839 tons per calendar day, or 1,099 tons per milling day in the 44-hour weekly schedule.

Tailings losses increased from 0.006% U_3O_8 per ton to 0.007% resulting in a drop in recovery to 94.66% compared to 95% in 1961. Milling costs increased from \$3.47 in 1961 to \$3.77 per ton milled due to non-recurring additional expense on the tailings disposal.

Comparative milling statistics are as follows:

	1962	1961	1960	1959	1958
Tons milled	306,339	339,659	468,939	537,594	491,826
Tons milled per day	839	931	1,282	1,473	1,347
Heads, per cent U_3O_8	.134	.122	.100	.087	.092
Tails, per cent U_3O_8	.007	.006	.0049	.0040	.0056
Recovery, per cent	94.66	95.06	95.11	95.34	94.00
Precipitate grade, per cent U_3O_8	73.85	74.50	76.14	75.66	70.50

Development

Underground development was limited to preparing indicated ore zones for stoping. The footage advanced is compared with previous years in the following table:

	1962	1961	1960	1959	1958
Shaft sinking	Nil	Nil	Nil	371	221
Drifting	446	4,279	6,384	13,105	9,253
Cross-cutting	207	1,565	3,854	6,850	8,452
Raising	745	3,580	5,713	8,254	10,128
Diamond drilling—surface	Nil	Nil	Nil	3,790	7,683
—underground	4,448	34,712	74,905	104,780	84,763

Ore Reserves

As no new ore was developed, the reserves were reduced by the amount of the year's production. Proven ore is sufficient to complete the present contract. Probable ore consists of ore indicated with limited diamond drilling below the 900-foot level. Results from this work have been satisfactory and additional ore will be developed when necessary.

A comparison of present reserves with the previous year follows:

	1962			1961		
	Tons	Grade	Pounds U_3O_8	Tons	Grade	Pounds U_3O_8
Proven ore						
Broken.....	70,572	.099	140,365	187,983	.112	421,998
Solid.....	294,795	.141	830,989	499,910	.127	1,274,126
Total proven ore.....	365,367	.133	971,355	687,893	.123	1,696,124
Probable ore.....	228,750	.105	479,540	243,400	.105	510,068
Total proven and probable ore	594,117	.122	1,450,895	931,293	.118	2,206,192

Costs

Monthly unit costs fluctuated over a wide range due to the variation in the mining program. The yearly average unit costs were below normal due to the reduced mining and development program.

A comparison with unit costs in previous years is listed:

	1962	1961	1960	1959	1958
Development.....	\$.33	\$1.39	\$1.40	\$2.12	\$ 2.54
Mining.....	4.05	4.31	4.35	3.96	4.41
Milling.....	3.77	3.47	2.96	3.00	3.05
Total.....	\$8.15	\$9.17	\$8.71	\$9.08	\$10.00

Capital

Capital expenditures during the year amounted to \$15,449, the major portion of this is represented by underground equipment. Disposals for the year were \$25,706.

Employee Relations

There were no serious personnel problems. Relations between management and employees continued to run smoothly.

Acknowledgments

It is a pleasure to express my sincere appreciation to the mine staff and employees for their loyal and efficient service. The co-operation and assistance of the Directors and the Head Office organization, as well as the Municipal Authorities and people of the Town of Bancroft, is thoroughly appreciated.

Respectfully submitted



Mine Manager

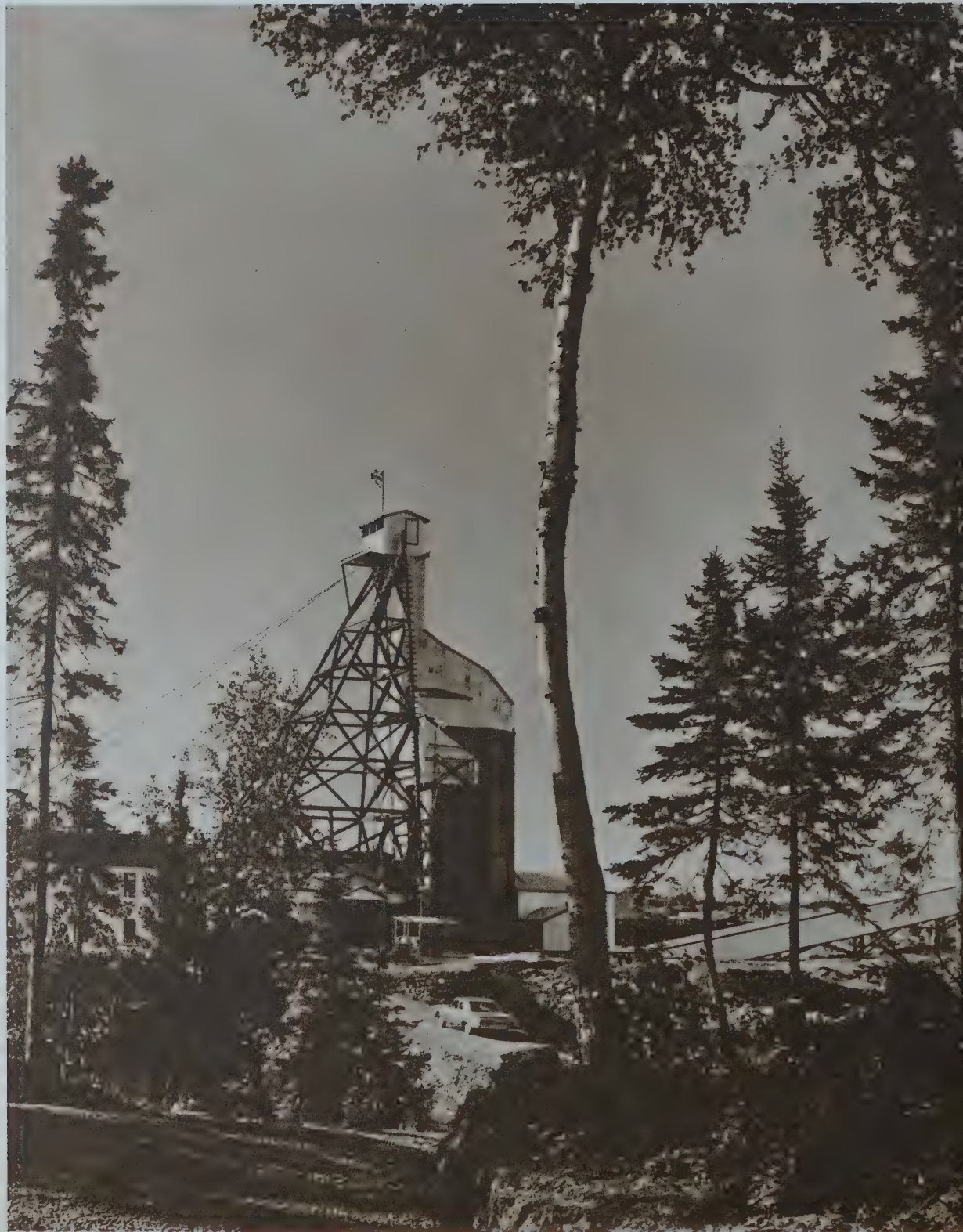
Bancroft, Ontario

April 25, 1963

Trigon Associates Limited, Scarborough, Ontario—An example of the superior equipment produced for the remote, supervisory control and telemetering of utilities and similar industrial installations is this Trigon central control console built and installed for the electrical distribution system of Hamilton, Ontario.



Nickel Mining & Smelting Corporation, Gordon Lake, Ontario
—Mine offices, headframe, and
conveyor to concentrator building
of this nickel-copper-platinum
metals producing company.



Canadian Silica Corporation
Limited, St. Canut, Quebec—
Canada's dominant supplier of
silica, the company produces a
number of high-purity silica
products at this new plant.

